

## Mayor's Policies for the Capital Improvements Program

The Mayor's policies for the Capital Improvements Program complement his policies designed for the health and development of the District of Columbia. These initiatives evolve in response to changes in the local economy, Congressional oversight, revenues, and funding tools available to carry out complete and comprehensive public services to the citizens of the District. The following are the Mayor's six policy initiatives and their respective CIP achievement budget:

**1-Building and Sustaining Healthy Neighborhoods** - Neighborhoods are the fundamental building blocks of a city. The quality of our physical environment has a massive impact on the health of our families in particular and our communities in general. By targeting distressed communities, the District is well on its way to curing the problems plaguing these communities.

An area targeted for the Building and Sustaining Healthy Neighborhoods initiative is designated as a "Capital Community". This is an area where a coordinated community involvement, focused investment of resources along with the goal of turning the community into a first rate "capital" neighborhood, hand in hand contribute to a sure and certain outcome of Building and Sustaining Healthy Neighborhoods. The goals of the initiative are:

- Identify "Capital Communities" and Mobilize Partners
- Reclaim these Communities
- Restore and Revitalize Community
- Sustain Success

The FY 2001 to FY 2006 CIP policy initiative related to Building and Sustaining Healthy Neighborhoods total \$166.8 million. Included are funds for (1) Public Safety Communication Center, (2) Fire Apparatus Replacement, (3) Renovations of DC Jail, and (4) step-down Telemetry Unit of DC General Hospital. Specific Projects included in the FY2001 to FY 2006 CIP that advance these initiatives are provided in the table below.

AG	FY 2001	FY2001-FY 2006	Mayor's Policy Initiatives for Building and Sustaining Healthy Neighborhoods
FA	\$27.0m	\$103.9m	Metropolitan Police Department - Funds are proposed for the consolidation of facilities, Public Safety Communication Center, Base Building Renovations and purchase of the Mission Critical Helicopter.
FB	\$12.8m	\$24.4m	Fire Department - Funds are proposed for the Fire Apparatus Replacement, Engine 20 replacement, Purchase of Emergency Generators for all Fire Facilities, and Replacement and Upgrade of the Communication System.
FL	\$8.8m	\$29.1m	Corrections - Funds are proposed for the General Renovation to elevate Health Safety violations at the DC Jail.
JB	\$7.3m	\$9.4m	Public Benefit Corporation - D. C. General Hospital; Funds are proposed for the Facilities Renovation and Roof Replacement.
<b>Total</b>	<b>\$55.9m</b>	<b>\$166.8m</b>	

**2-Strengthening Families** - Families are the most important component of our neighborhoods. Strong families create healthy communities where neighbors know and trust each other, and children grow into healthy and productive adults. The goal of this policy initiative is to promote strong families, individuals and communities through a network of human and social services that supports and sustains productive and healthy lifestyles. To enhance support for all families, the following goals must be achieved:

- Increase levels of employment
- Ensure high-quality accessible and affordable health care
- Develop life-long learning opportunities
- Enhance caregiver support
- Improve environmental safety
- Improve conditions for inmates, ex-offenders and their families.
- Reduce the societal impact of violence and abusive behaviors in the District

In short, the main objective of this policy initiative is to provide comprehensive support that will empower families to help themselves. District of Columbia is developing a network of human and social services that supports and sustains productive and healthy lifestyles and in so doing it promotes strong individuals, strong families and strong communities.

The FY 2001 to FY 2006 CIP policy initiatives related to Strengthening Families total \$189.8 million. Included are funds for (1) Expansion of various Community Centers in the District, (2) Immunization Program Facilities Improvement and (3) Renovation of two Group Homes for persons with mental retardation. Specific Projects included in the FY 2001 to FY 2006 CIP that advance this initiative are provided in the following table:

AG	FY 2001	FY2001-FY 2006	Strengthening Families
HA	\$26.2m	\$128.1m	Department of Recreation and Parks - Funds are proposed for expansion of Banneker, Hillcrest, Kennilworth Parkside, Ft. Stanton, Lafayette, Joe Cole, Hagan Cultural, Georgetown, Parkview, Anacostia, and Trinidad Recreation Centers.
HC	\$6.7m	\$18.0m	Department of Health – Funds are proposed for renovation of D. C. Animal Shelter, modernization of the STD clinic, and general renovations of the Immunization Program facilities.
JA	\$12.8m	\$43.7m	Department of Human Development – Funds are proposed for renovation of two group homes for persons with mental retardation, Renovation of Facilities at Forest Haven, renovation of facilities at the D. C. Village along with system upgrade for 10 cottages, and renovation of Gayle school.
<b>Total</b>	<b>\$45.7m</b>	<b>\$189.8m</b>	

**3-Safe passages - Children & Youth Investment** - Based on recent research the experiences children encounter as they travel through the major course of their life dramatically affect where they go, how far they go and the kind of adults they become. Important new brain research indicates that as babies gain more experience, positive or negative, their brain's wiring becomes more defined.

Unfortunately, for many children and youth in the District, journey through life is marked with obstacles and sometimes-cruel reality. Through the Safe Passages action plan, the District government has established specific goals for improving the lives of children and youth in the District of Columbia. To ensure our effectiveness, the government must adhere to the following principles:

- **Accountability**- we will hold departments and agencies accountable for achieving child and youth goals.
- **Legal Structure** – Introduce comprehensive legislation and develop regulations that support the safety, health, success and well being of children and youth.
- **Analysis** – Create a centralized data repository that allows for service and financial expenditures tracking, goals monitoring, evaluation and planning.
- **Empowerment** – Create task forces to examine and make recommendations on the child protective services system, the juvenile justice system, and relationships with community partners.
- **Coordination** - Agencies and private entities must work together to maximize the impact of limited resources.

Goals:

- To help prepare the children to learn upon entering school.
- To considerably increase the number of children and youth who succeed in school.
- To cultivate youth who develop into successful young adults.
- To have healthy children, youth and families.
- Reduce youth – on – youth crime, particularly in the school setting.
- Pass a comprehensive child health, safety omnibus bill.
- Develop a new children and youth data repository, tracking and monitoring system.
- Implement a plan for an integrated child protective service system.
- Implement a plan for an integrated juvenile justice system.

The FY 2001 to FY 2006 CIP policy initiatives related to Children and Youth Investment total \$834.1 million. Included are funds for (1) School Modernization and General Improvements, (2) Building of Interactive Smart Classrooms, (3) Technology Center for Teaching Excellence, and (4) Student Computer Center in UDC Library. Specific Projects included in the FY 2001 to FY 2006 CIP that advance these initiatives are provided in the following table.

AG	FY 2001	FY2001- FY 2006	Children and Youth Investment
CE	\$ 13.2 m	\$21.6m	DC Public Library – Funds are proposed for renovation of Martin Luther King Memorial Library, Replacement of Roof and general improvements at various branch libraries.
GA	\$168.9m	\$777.9m	DC Public Schools – Funds are proposed for roof replacements, and general improvements at various schools, acquisition of emergency generators, replacement of windows, removal of asbestos, ADA improvements, and school modernization including interior finishes.
GF	\$13.6m	\$34.6m	University of the District of Columbia – Funds are proposed for upgrade of electrical system, elevator and escalator modernization, replacement of heating water and chiller systems, renovation of classrooms to interactive “smart” classrooms, renovation of a section of the library to build a new state of the art computer center.
<b>Total</b>	<b>\$195.7m</b>	<b>\$834.1m</b>	

**4-Making Government Work** - The district government plays a pivotal role in assembling, coordinating and deploying resources – a role that is critical to the fulfillment of the public will. Government must be a reliable partner for citizens in their neighborhoods. The following are the goals of this initiative:

- Employ a strategic management process to define and produce results at every level.
- Enhance training to ensure employees deliver quality customer service to citizens.
- Enhance the visibility and communication of district services.
- Improve space utilization in facilities.
- Improve timeliness and cost of procurement.
- Improve financial planning support to agencies.
- Improve personnel support to agencies.

The FY 2001 to FY 2006 CIP policy initiatives related to Making Government Work total \$196.2 million. Included are funds for (1) Financial Management Systems Interface, (2) Tech City, (3) Public Workstations, and (4) Wireless Data Network. Specific Projects included in the FY 2001 to FY 2006 CIP that advance this initiative are provided in the following table.

AG	FY 2001	FY2001- FY 2006	Making Government Work
AM	\$17.8m	\$46.6m	Office of Property Management - Funds are proposed for renovation of the Old Juvenile Center Building, window replacements at the Reeves Center, and construction and renovation of Government Centers
AT	\$19.0m	\$38.9m	Office of the Chief Financial Officer – Funds are proposed for Share facility upgrade, Financial Management System Integration, and Payroll/Personnel System.
TO	\$55.8m	\$110.7m	Office of the Chief Technology Officer – Funds are proposed for the Tech City project, Direct Reporting system, Public Workstations, and Wireless Data Network.
<b>Total</b>	<b>\$92.6 m</b>	<b>\$196.2 m</b>	

**5-Economic Development** - Government alone cannot meet all the needs of children, families and neighborhoods. A vital economy is critical to providing quality jobs, affordable housing, and vibrant cultural amenities for our citizens. The Economic Development action plan sets a course for expanding our economy to this end. The following are the goals of this initiative:

- Grow private sector by targeting industry networks.
- Link training to growth sectors through a coordinated system.
- Level the playing field.
- Attract businesses to DC by ensuring that they have information about and access to resources needed to succeed.
- Increase new and rehabilitated housing units.
- Promote homeownership.
- Revitalize neighborhood commercial centers in distressed communities.
- Relocate District agencies to facilitated economic development in areas requiring economic recovery.
- Implement geographically focused economic development strategies.

The FY 2001 to FY 2006 CIP policy initiatives related to Economic Development total \$277.3 million. Included are funds for (1) Affordable Housing, (2) NY Avenue, Metro Station, and (3) Metro Rail Rehabilitation. Specific Projects included in the FY 2001 to FY 2006 CIP that advance this initiative are provided in the following table.

AG	FY 2001	FY2001- FY 2006	Mayor's Policy Initiatives for Building and Sustaining Healthy Neighborhoods
DB	\$10.0m	\$33.4m	Department of Housing and Community Development – Funds are proposed for Property Acquisition and Site Development.
EB	\$9.6m	\$29.8m	Office of Planning and Economic Development – Funds are proposed for Neighborhood Revitalization and Remediation of Nuisance Properties.
KE	\$42.2m	\$214.1m	Washington Metropolitan Area Transit Authority – Funds are proposed for Metro Rail rehabilitation, Metro Rail Name Change and New York Avenue Metro Center.
<b>Total</b>	<b>\$61.8m</b>	<b>\$277.3m</b>	

**6-Unity of Purpose and Democracy** - The focus of this action plan lies with engaging both the government workforce and the citizens in manifesting the goals of the City-Wide Strategic Plan. The following are goals of the initiative:

- Develop a Citywide Strategic Plan through the Neighborhood Action process.
- Align government agencies with broad citizen input.
- Create broad opportunities for civic input.
- Promote cooperation with regional federal and private organizations.
- Establishment of self-government.

The FY 2001 to FY 2006 CIP policy initiatives related to Unity of Purpose total \$1.4 billion. Included are funds for (1) Motor Vehicles Information System, and (2) Rehabilitation of Fort Totten Transfer Station, and (3) major road and street repairs and upgrades. Specific Projects included in the FY 2001 to FY 2006 CIP that advance this initiative are provided in the following table.

<b>AG</b>	<b>FY 2001</b>	<b>FY2001- FY 2006</b>	<b>Mayor's Policy Initiatives for Building and Sustaining Healthy Neighborhoods</b>
DPW	\$301.4m	\$1,345m	Department of Public Works – Funds are proposed for Street and Road upgrades and repairs, DPW waste Service Transfer Facilities consolidation and relocation, rehabilitation of Fort Totten Transfer Station, Fenwick Building Renovation, and tire repair shop.
DMV	\$9.9 m	\$16.6 m	Department of Motor Vehicles – Funds are proposed for Motor Vehicles Information System and Georgia Avenue Motor Vehicles Center.
<b>Total</b>	<b>\$311.3 m</b>	<b>\$1,361.6m</b>	

## Fiscal Policy

### *Policy on Project Eligibility for Inclusion in the CIP*

Capital expenditures included as projects in the CIP must:

- Be carefully planned, generally as part of the District-wide Facility Condition Assessment Study in concert with the Comprehensive Plan. This provides decision-makers with the ability to evaluate projects based on a full disclosure of information.
- Have a useful life of at least 3 years or add to the physical infrastructure and capital fixed assets.
- Enhance the productivity or efficiency capacity of District services.
- Have a defined beginning and a defined ending.
- Be related to current or potential projects. For example, facility planning or major studies should be funded with current revenues.

### *Policy on Debt Financing*

With few exceptions (Highway Trust Fund projects), the CIP is primarily funded with general obligation bonds or equipment lease debt. Capital Improvement projects usually have a long useful life and will serve taxpayers in the future as well as those paying taxes currently. It would be an unreasonable burden on the current taxpayers to pay for the entire project up front. General obligation bonds, retired over a 30-year period, are necessary and fair. Capital improvement projects eligible for debt financing must:

- Have a useful life at least as long as the debt issued with which they are financed.
- Not be funded entirely from other potential revenue sources, such as Federal aid or private contributions.

### *Policy on Capital Debt Issuance*

In formalizing a financing strategy for the District's Capital Improvements Plan, the District adheres to the following guidelines in deciding how much additional debt, both general obligation and revenue bonds, may be issued during the six-year CIP planning period:

- **STATUTORY REQUIREMENTS:** The issuance of general obligation indebtedness, both existing and proposed, cannot cause maximum annual debt service to exceed 17.0% of local revenues as stipulated in the Home Rule Act.
- **AFFORDABILITY:** The level of annual operating budget resources available to pay debt service should not impair the District's ability to fund ongoing expenditures and maintain operating liquidity.
- **FINANCING SOURCES:** Identifying new financing sources to maximize capital project financing capacity at the lowest cost available, while maintaining future financing flexibility.

- **CREDIT RATINGS:** Issuance of additional debt should not negatively impact the District's ability to maintain and strengthen current credit ratings, which involves the evaluation of the impact of additional debt on the District's debt capacity, debt burden, and amortization rates.

#### *Policy on Terms for Long-Term Borrowing*

In order to mitigate the interest costs associated with borrowing, the District identifies sources other than bond proceeds to fund its CIP, such as grants, Highway Trust Fund moneys, and paygo capital. Furthermore, the District issues its bonds annually based on the anticipated spending for the fiscal year, not on a project by project basis. The District has issued only general obligation bonds in the past, but anticipates the issuance of revenue bonds for general capital purposes in the future. The pledge of a new revenue source/issuance of revenue bonds must not have a negative impact on the District's general fund and must provide favorable interest rates.

In order to match the debt obligations with the useful life of the projects being financed, the District issues short to intermediate-term financing for those projects that may not fit the criteria for long term financing. The District amortizes bonds over a 30-year period for those projects with an average 30-year life.

Bonds may be issued by enterprise funds as authorized by law. Repayment of the debt service on these bonds is solely the revenue of the project being financed.

#### *Policy on Terms for Short-Term (Interim) Borrowings*

The District may issue other forms of debt as appropriate and authorized by law, such as bond anticipation notes (BANs) and commercial paper. The use of BANs and commercial paper provides a means of interim financing for capital projects in anticipation of future bond offering or other revenue takeout. Furthermore, these types of interim financing tools allow the District to benefit from lower interest costs by including short-term financing of capital expenditures in the initial financing structure. The use of BANs and/or commercial paper is intended at such times that it is financially feasible.

#### *Policy on the use of the Master Equipment Lease*

The purpose of the Master Equipment Lease Program (the "Program") is to provide District agencies with access to low cost tax-exempt financing for equipment purchases. With the establishment of this Program each agency will acquire eligible equipment using the same procedures that are currently used to bid and select equipment. Furthermore, the Program assists the District in improving its assets/liability management by matching the useful life of the asset being financed to the amortization of the liability.

The Program terms and conditions are established under an "umbrella" contract. Since the terms and conditions are up-front, there is no need to negotiate a new lease contract each time equipment is to be financed as long as the master lease agreement is still effect.



For equipment or any system (i.e. computer) to be eligible it must have a unit value of at least \$25,000. In addition, it must have a useful life of at least 5 years. The repayment (amortization) will not exceed the useful life of the equipment being financed. The maximum financing term that may be requested is 10 years.

Computer hardware and software will be eligible although, large amounts of licensed software will need to be approved by legal counsel. Software financing will be limited to 25% of total computer expenditures. Rolling stock such as autos, trucks, and public safety vehicles will also be eligible but may require paperwork to provide additional insurance and warranties.

#### *Policy on the Use of Paygo Financing*

“Pay-as-you-go” financing is obtained from current revenues authorized by the annual Operating Budget and approved by the Council and the Congress in a public law to pay for certain projects. No debt is incurred with this financing mechanism. Once the public law becomes effective, the operating funds are transferred to the capital account and allocated to the appropriate project. Generally, Paygo financing supports the costs for minor repairs, equipment purchases, or other items that do not qualify for long-term general obligation bond financing. The Mayor has the following policies on the use of Paygo financing:

- Paygo must be used for any CIP project not eligible for debt financing by virtue of its limited useful life.
- Paygo should be used for CIP projects consisting of short-lived equipment replacement (not eligible for the Master Equipment Lease Purchase Program), and for limited renovations of facilities.
- Paygo may be used when the requirements for capital expenditures press the limits of bonding capacity.

#### *Congressional Appropriations*

Notwithstanding any other provisions in the law, the Mayor of the District of Columbia is bound by the following sections of the D.C. Appropriations Act, 1999 included in P.L. 105-277 of the Omnibus Consolidated and Emergency Supplemental Appropriations for Fiscal Year 1999. These sections were mandated by the 105<sup>th</sup> Congress to be enacted for the fiscal year beginning October 1, 1999.

**§113** *At the start of the fiscal year, the Mayor shall develop an annual plan, by quarter and by project, for capital outlay borrowings: Provided, that within a reasonable time after the close of each quarter, the Mayor shall report to the Council of the District of Columbia and to the Congress the actual borrowings and spending progress compared with projections.*

*§114 The Mayor shall not borrow any funds for capital projects unless the Mayor has obtained prior approval from the Council of the District of Columbia, by resolution, identifying the projects and amounts to be financed with such borrowings.*

*§115 The Mayor shall not expend any moneys borrowed for capital projects for the operating expenses of the District of Columbia government.*

### *Trends Affecting Fiscal Planning*

Several different kinds of trends and economic indicators are reviewed, projected, and analyzed each year for their impact on the Operating Budget and for their impact on fiscal policy as applied to the Capital Improvements Plan. These trends and indicators include:

- **INFLATION:** Important as an indicator of future project costs or the costs of delaying capital expenditures.
- **POPULATION GROWTH/DECLINE:** Provides the main indicator of the size or scale of required future facilities and services, as well as the timing of population-driven project requirements.
- **DEMOGRAPHIC CHANGES:** Changes in the number and/or locations within the District of specific age groups or other special groups, which provides an indication of requirements and costs of specific public facilities (i.e., senior wellness centers and recreation centers).
- **PERSONAL INCOME:** The principal basis for projecting income tax revenues as one of the District's major revenue sources.
- **IMPLEMENTATION RATES:** Measured through the actual expenditures within programmed and authorized levels, implementation rates are important in establishing actual annual cash requirements to fund projects in the CIP. As a result, implementation rates are a primary determinant of required annual bond issuance.